

Prepared for Delivery

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Good morning. Thank you all for coming. It is a great pleasure to be here with Secretary Daley, and I want to welcome all of you to this Plenary Session.

INTRODUCTION

Later on we will be able to discuss our trade negotiations in detail. I look forward to your advice, here and in the panel sessions. First, though, I will try to put our agenda in some broader context. And let me begin with a look at the situation in which we find ourselves today.

Our country is prospering. We are at peace with the major countries of the world. American companies are as competitive as they have been in quite a long time, and given the high rate of investment in new technologies, that could continue for some time to come. The government's budget is in balance; crime and welfare rates are falling; and economic growth is high while unemployment and inflation are low.

So, in essence, we face the challenge of good times. That is, refusing to be complacent. Looking to the future, evaluating the long-term trends, adapting to them when we must and steering them in the right direction whenever we can. And that is what we hope to do in trade policy.

TRADE IN THE U.S. ECONOMY

Let me begin by putting trade in the context of our economy generally.

Trade has played a crucial role in our economic expansion during this decade. Since 1992, exports have accounted for over one third of U.S. economic growth. Over 12 million American jobs -- just under one in ten -- now depend on our exports. That proportion is growing, as between 1992 and 1996, exports accounted for one in every six new jobs. And that in turn means higher living standards, as jobs supported by exports pay an average of 13 percent to 16 percent higher than the U.S. national average.

And in the future, exports will be still more important to our country and the success of our businesses. About one in every twenty-five people in the world is an American. The other 24 -- or 96% of world population, included the fastest-growing middle classes -- live somewhere

else. India, for example, will have 115 million new members of the middle class by 2005. China If we can't sell to these people, we will have a hard time continuing to lead the world's economy in the next century.

And so our trade agenda is very full. Since January 1993 we have concluded 250 separate trade agreements. We have succeeded in over 75 enforcement actions under our domestic trade laws and international agreements. We have filed more complaints in the WTO--35 cases to date-- than any other country; and we have prevailed on 18 of the 19 American complaints acted upon so far

LOOKING AHEAD

We also have a full agenda to pursue over the next year with our industrialized trading partners and at the World Trade Organization.

In Japan, we will push for fiscal stimulus to prevent recession, and broad deregulation to create long-term, demand-led growth. And we will continue to enforce our thirty-four bilateral trade agreements, including telecommunications procurement, autos and auto parts, insurance and glass, as well as monitoring market access for photographic film and paper.

We are also exploring a major trade initiative with the European Union. And next year we will launch negotiations at the WTO in agriculture and services -- the fields in which trade barriers are highest, and in which American producers lead the world.

THREE NEW CHALLENGES

Europe, Japan and the GATT have really been at the heart of our trade policy in the postwar era. But we now, I think, face three new challenges whose economic significance is just as great. And their political significance, both in the international sense and in the sense of domestic support for the trade agenda, may be greater still.

First, the end of the Cold War, which has created new markets, new competitors, and the challenge of integrating a vast part of the world into normal commerce.

Second, the vast changes in business, economics and daily life propelled by information technologies and electronic commerce.

Third, and probably most important, ensuring that as trade grows and has greater effects on the lives of ordinary people, trade policy retains the support of ordinary Americans.

1. END OF THE COLD WAR

Let me address each of these in turn, and let me begin with the first -- that posed by the

end of the Cold War.

The decline of communism and the dissolution of the Soviet Union mean, most obviously, a freer, more peaceful world. They also, though, present us with profound questions in trade and economics.

Regions of the world that were once Cold War battlegrounds -- Latin America, Southeast Asia and Africa -- are now by and large at peace. They are growing, opening to the world, becoming better markets and becoming competitors. More serious still, former communist countries in Eastern Europe, the former Soviet Union, China and Indochina are building market economies and applying to join the World Trade Organization. These things have already had an enormous effect on business strategies; commodity markets; and investment decisions. As time passes they will have an equally big effect on our economy and people at home.

We must adjust to a new reality in which the billion and a half people of Latin America, Southeast Asia and ultimately Africa are fully integrated into trade. To ensure that their markets are as open to our goods and services as our market is to them, we must be sure that the United States leads in writing the ground rules for a much larger trading world in the future. Our creation of the Free Trade Agreement of the Americas; President Clinton's inauguration of the annual summit meetings at the Asia Pacific Economic Cooperation forum; and the Africa legislation in Congress are all part of this effort. It is an immense task that is already raising immense controversy and debate -- as you see in the continuing discussion of fast track.

An equally large, and even more difficult, task is the integration of another billion and a half people -- the citizens of Eastern Europe, China, Indochina and the former Soviet Union. Our task is to bring these countries into the world trade system, on the basis of the rules created by the GATT and WTO in the past fifty years. As long as these nations remain outside the rules-based system that now includes most of the world's trading countries, the system will be incomplete, imperfect and subject to distortion from those who are not bound by its rules. And their ultimate entry is part of a larger effort to secure a permanent peace, similar to the integration of Japan and Germany into the world after the Second World War.

But their WTO admissions are a complicated task. While the Latin, Southeast Asian and African economies are at least familiar, the reforming communist countries often lack basic price mechanisms; are only beginning even in theory to separate governments from business and banking; and at an even more basic level, have little familiarity with the concept of the rule of law. To strengthen rather than undermine the world's market-based rules, they should be brought in, but only on the right terms. The result must be enforceable commitments to open markets; transparent, non-discriminatory regulatory systems; and effective national treatment both at the border and within the domestic economy.

This is very demanding, both for the countries involved and for our own negotiators. And having just returned from China, I can tell you we have a ways yet to go. But I believe we will

ultimately get there.

2. THE 21ST CENTURY ECONOMY

Let me now turn to our second great challenge: preparing our country for the economic world of the 21st century.

Today, and more so tomorrow, services as well as goods cross borders. Business is done by e-mail and computer as well as in person. And human ingenuity creates new categories of goods, new forms of services and entirely new ways to conduct trade every day. To quote IBM's Chief Executive Officer, new uses of information technologies in business include:

“transactions among employees within a business to improve how products are developed, ideas are shared, how teams are formed, how work gets done; transactions between a business and its suppliers, distributors and retailers, to increase cycle time, speed and efficiency; and the very important transactions between governments and citizens, students and educators, health care providers and their patients.”

Trade policy must catch up with this in two ways. One, it has to move faster. We can no longer wait seven years for multilateral WTO Rounds to address trade barriers. And two, it has to more fully reflect the reality that barriers to new technological products do not help countries promote their own industries, but reduce their productivity and growth.

And we can already see the system beginning to react. Last year we completed three global agreements at the foundation of the 21st century economy: information technology, telecommunications, and financial services. So significant are these agreements that WTO Director General Renato Ruggiero speaks of them as the equivalent of a major trade Round.

The Information Technology Agreement (ITA) will eliminate tariffs on a wide range of global information technology products over the next several years; products that even today make up about one in every thirty dollars of world GDP. And we are moving forward with negotiations for an ITA II for expanded product and country coverage.

The Agreement on Basic Telecommunications includes 70 countries and over 95% of world telecom revenue in a \$600-billion industry. It provides U.S. and foreign companies access to local, long-distance and international service through any means of network technology, and ensures that U.S. companies can acquire, establish or hold a significant stake in telecom companies around the world. In doing so, it replaces a 60-year tradition of national telecommunications monopolies and closed markets with market opening, deregulation and competition, reflecting American values of free competition, fair rules and effective enforcement.

And last December, we secured the multilateral Agreement on Global Financial Services, including banking, securities, insurance and financial data services. It covers 95% of the global

financial services market, and 102 WTO members now have market-opening commitments in the financial services sectors. They encompass \$18 trillion in global securities assets; \$38 trillion in global (domestic) bank lending; and \$2 trillion in worldwide insurance premiums.

These agreements recognize that we are in an era of intense technological change. When product life cycles are measured in months and information and money move around the globe in seconds. When we can no longer afford to take 7 years to finish a trade Round, or let decades pass between identifying and acting on a trade barrier. When the infrastructure of the 21st century economy is as much information and communications as roads and ports.

GLOBAL ELECTRONIC COMMERCE

And we will have to do more. In particular, we will have to address global electronic commerce, electronic transmissions and especially the Internet. And we will have to do it not by painstakingly scraping off the barnacles, as we generally do in trade negotiations, but preventing them from latching onto the ship in the first place.

As the President noted in his speech to the Technology '98 Conference, the Internet is the fastest growing social and economic community in history. A survey this month concluded that the World Wide Web has at least 320 million pages today, and will have more than three billion by the turn of the century. Experts predict that by 2002, electronic commerce between businesses in the U.S. alone will exceed \$300 billion.

And today, the world of electronic transmissions is, in trade terms, pristine. The GATT system, to oversimplify only slightly, represents fifty years of undoing the tariff and non-tariff barriers governments created over a century. The right vision today will spare the next generation that work in electronic commerce. No member of the WTO now considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this duty-free treatment should include electronic transmissions on the Internet. We hope to keep it that way, as a first step to make sure electronic commerce remains a catalyst for growth and expansion of trade.

3. THE BROADER DIMENSIONS OF TRADE

Finally -- and I believe, most important -- trade policy must do more to win the support of citizens, in three critical ways.

One, the pace of change -- growing trade, advancing technology -- in today's economy causes apprehension and anxiety even among workers and consumers who reap the benefits of global trade. Many fear, and not without some reason, that growing trade and technological progress, while creating jobs and raising salaries for the most skilled and educated among us, will devalue the work of those less fortunate.

So we must integrate trade policy with the right approach to education and training. There is absolutely no reason that everyone should not have the skills to succeed in a new world. That is why the President has asked Congress for the money to help schools across the country hire 100,000 new teachers; link every school to the Internet; and give all young Americans the skills they need. Why he has asked for lifelong learning programs to help older workers upgrade their skills, through Pell Grants, tax credits and tax deductions to finance returns to school. And why he has asked both Congress and business to ensure that worker training, health care, adjustment assistance and other services must be there, not only as the initiative of particular companies, but when workers change jobs. Thus we are working to reform trade adjustment assistance, and to increase funding for worker training generally.

Two, many people see trade policy, and especially the World Trade Organization, as opaque and unresponsive to the public. And again, they are not entirely wrong. The trading system must do more to address difficult, controversial but real questions like the links between trade, labor and the environment. It need not always assume these goals conflict -- the APEC commitment to eliminate tariffs on environmental goods and services will directly mean cheaper waste-water treatment plants and efficient power technologies for developing countries, and thus cleaner water, cleaner air, and reduced carbon emissions. But it must address them.

It must also become more open to civil society. There is no reason the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs. Public input is good, not something to fear. Likewise, secretiveness breeds distrust. So we must make the WTO, including its dispute settlement body, more open, transparent and accessible to the public if the public is to have confidence in it.

And three, many Americans have broad concerns -- amply reinforced by those who wish to make political hay out of protectionist arguments -- that trade agreements or trade itself may be the enemy of good jobs and high living standards. And the answer here is a sustained effort to improve public understanding of the role of trade in the economy.

The facts are plain. A third of our growth in the past five years has come from new exports. One in five new American jobs depends on exports. These jobs pay 13% to 16% above the average wage. We will not prosper in the future if we cannot sell to the 96% of humanity that lives beyond America's borders. And the right education and training policies can help everyone take advantage of these opportunities.

But the public -- at home, not just in Washington -- must get the facts. Government, businesses, and academics must all work harder than we have in the past. We must build public understanding of trade policy; respond to legitimate concerns; dispel unwarranted fears; and set the stage for the tasks we must complete to ensure our nation's prosperity as the next century begins.

CONCLUSION

The consequence of failure will be severe. A half-century march toward prosperity; jobs; growth; and higher living standards might be interrupted. The ability of the United States to shape the 21st-century world shrunk or eliminated. And of course, the prospects of many of your own businesses diminished.

But if on the contrary we, at the beginning of this new century, redouble our efforts, the rewards -- both moral and material -- will be enormous.

The trends we see are good: a world more at peace and more stable; a country more prosperous than at any time in modern memory.

The tasks at hand are clear -- to integrate a new set of nations into this world, thus cementing the peace and building prosperity for all; and to allow everyone to take advantage of the new world of science, technology and medicine opening around us.

And the reward of success will be extraordinary. Here in the United States we will see men and women working at higher incomes. Business flourishing. New products and services making life safer and easier for ordinary people.

And beyond our borders, a world that reflects our most deeply held values. Where new technologies help freedom of inquiry and expression blossom. Where hard work, creativity and individual initiative find rewards. And where the rule of law is stronger than the rule of force.

It is quite a prospect; and let us work together to make it real.

Thank you all very much.